

BRIEFING ON THE STATE OF YACHT LENDING
Maritime Law Association
G. Robert Toney, Vice Chair, Yacht Finance Committee
May 4, 2016
Recreational Boating
May 5, 2016

Recreational Retail Consumer Marine Loan Overview. Very little change in number of yacht finance players in the market.

Active Lenders

- SunTrust
- US Bank
- BB&T
- M&T Bank
- Huntington Bank, OH (Acquired Regional Lender First Merit, OH)
- United Bank, CT. acquired CGI Platform
- Shore Premier-Bank of Hampton Roads
- Iberia Bank, LA
- Bank of the Ozarks [acquired C&S Bank, (GA) and C-1 Bank (FL)]
- MB Finance, Illinois
- US Alliance, Credit Union, New York

Wealth Product-High End

- US Trust (BofA)
- Bank United, FL
- UBS

New Participants

- Huntington Bank (above)
- Pier to Pier Lenders

High Rate/High Risk Lenders (8.5% to 17.99%)

- LightStream (SunTrust Acquisition) Up to \$75,000
- BoatFinance, LLC (Funded by Private Capital) Up to \$75,000
- Medallion Finance Up to \$75,000
- ST Liberty/Maritime Capital, \$100,000 to \$500,000

Floorplan (Wholesale) Market Update

- GE Capital Sale to Wells Fargo
- Northpoint
- NextGear Capital (Cox Automotive-Manheim) exited the marine business to focus exclusively on auto.

Retail Loan Business (NMLA reported) 2016 v. 2015

76% reported increases in loan outstandings (85% prior year)
Credit Parameters reported to be LESS stringent
Some lenders waving proof of income, approving higher LTV's
Is credit quality loosening?

Credit Score Breakdown 2016 vs. 2015:

700 and over	100% of Lenders
650 and over	56% (increase of 50%)
600 and over	17% (increase of 15%)
500 and over	11% (increase of 10%)

Boatsetter/Pier to Pier Program

No specific numbers provided, but indicate "trend is up."
Lenders and insurance companies taking a "wait and see approach."
Announced NMMA and Discover Boating endorsements

NMLA Conference reports (Coburn Associates Research):

Lenders are reporting that they believe credit is LESS stringent in the first quarter, 2017.

Down payment requirements are easing (Higher LTV's)

Most active marine lenders have stated that their lending criteria has reverted to underwriting practices that existed prior to 2008.

Wells Fargo and Bank of America have indicated desire to re-enter the retail yacht finance market.

Little change expected in rate, terms or margins other than cost of fund adjustment. 40% of NMLA members reported margin decreases, second half of 2016

Boat Sales Update (NMLA/NMMA)

6% increase in new boat sales, 11% increase in dollars
7% increase in used boat sales, dollar increase flat
Used boats representing 54% of loan originations
Documented boat origination: 64% increase in power boats, 22% increase in sail

Delinquency/Charge-off Overview

Year	Delinquency	Charge-off
2003	0.85%	0.35%
2004	0.69	0.20
2005	0.83	0.52
2006	0.63	0.27
2007	0.85	0.77
2008	1.18	0.93
2009	2.26	1.43
2010	1.69	0.89
2011	1.48	1.14
2012	0.82	0.77
2013	0.80	0.57
2014	0.87	0.44
2015	0.69	0.38

Data can fluctuate depending on changes in reporting institutions.

Recovery & Liquidation Overview

Repossession activity remains at historically low levels and banks are seeing better and quicker returns on owned inventory. Dealer used inventory at lowest levels in 15 years.

CFPB remains very involved in debt collection practices, commercially reasonable sale and fees charged to borrowers for same.

Pro-consumer bar is becoming more aggressive in representation of borrowers and challenging these issues, specifically commercial reasonableness.

National Liquidators Recovery/Auction Activity Overview

	2015	2016	% Change
Bank Recovery Orders	1213	987	(18.63%)
Auction Sales Units	618	599	(03.07%)
Auction Sales Dollars	\$34.608MM	\$34.223MM	01.11%

National Marine Lenders Association Events

2017 NMLA 38th Annual Conference

October 22-24, 2017

Hyatt Indian Wells Resort & Spa, Indian Wells, CA

- **2018 Marine Lending & Recreational Finance Workshop**
Tampa, FL
Early March, 2018 - TBA

Thanks to:

James Coburn, VP & Managing Partner
Coburn & Associates

National Marine Lenders Association, Annual Report

National Liquidators Client Data.